

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

HB 1860 - SB 2665

February 22, 2018

SUMMARY OF BILL: Exempts from state and local sales and use tax all sales of bees, hives, and beekeeping equipment sold directly to a consumer for noncommercial purposes, excluding honey, honey byproducts, and other food and wax products.

ESTIMATED FISCAL IMPACT:

Decrease State Revenue – Net Impact – \$13,500

Decrease Local Revenue – Net Impact – \$5,500

Assumptions:

- Exempting sales of bees, hives, and beekeeping equipment from state and local sales and use tax will result in a reduction in state and local sales tax revenue.
- According to the United States Department of Agriculture (USDA), there are approximately 200,000 hobby beekeepers in the United States (U.S.).
- According to the 2010 federal census, Tennessee's population was approximately 2.1 percent of the U.S. population (6,346,105 / 308,745,538).
- There are currently 4,200 hobby beekeepers in Tennessee (200,000 x 2.1%).
- It is assumed that hobby beekeepers in Tennessee spend, on average, approximately \$50 a year on bees, hives, and beekeeping equipment.
- Total annual sales of bees, hives and beekeeping equipment to hobby beekeepers in Tennessee is estimated to be \$210,000 (4,200 x \$50).
- The current state sales tax rate is 7.0 percent; the average local option sales tax rate is estimated to be 2.5 percent; the effective rate of apportionment to local government pursuant to the state-shared allocation is estimated to be 3.617 percent.
- A recurring decrease in state revenue of \$14,168 [(\$210,000 x 7%) – (\$210,000 x 7% x 3.617 %)].
- A recurring decrease in local revenue of \$5,782 [(\$210,000 x 2.5%) + (\$210,000 x 7% x 3.617 %)].
- Fifty percent of tax savings, or \$9,975 [(\$14,168 + \$5,782) x 50%], will be spent in the economy on other sales-taxable goods and services.
- The recurring increase in state sales tax collections is estimated to be \$673 [(\$9,975 x 7%) – (\$9,975 x 7% x 3.617%)].

HB 1860 - SB 2665

- The recurring increase in local sales tax collections is estimated to be \$275 [(\$9,975 x 2.5%) + (\$9,975 x 7% x 3.617%)].
- The net recurring decrease in state revenue as a result of this bill is estimated to be \$13,495 (\$14,168 - \$673).
- The net recurring decrease in local revenue as a result of this bill is estimated to be \$5,507 (\$5,782 - \$275).

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in blue ink that reads "Krista M. Lee". The signature is written in a cursive, flowing style.

Krista M. Lee, Executive Director

/jdb